CHAPTER EIGHT

REDUCING POVERTY

SOLUTIONS AT THE BOTTOM OF THE ECONOMIC PYRAMID

"Four billion poor can be the engine of the next round of global trade and prosperity," writes C.K. Prahalad of the University of Michigan's business school in The Fortune at the Bottom of the Pyramid (Wharton School Publishing, 2005). In responding to a development challenge, alliance partners can discover or create previously unimagined business opportunities; others take proven technologies and apply them in innovative ways. Under the right circumstances, the bottom of the pyramid is the human equivalent of an oil deposit: it can raise an economy from below.

In partnership with the U.S. Agency for International Development (USAID) and nongovernmental organizations, leading companies are finding ways to provide vital goods and services to millions of underserved people at the bottom of the economic pyramid. The alliances in this section cover health, microfinance, enterprise development, and agriculture. They represent diverse business models, some intricate (with many participants across a continent), others compact and focused.

- The NetMark Alliance brings together the world's leading manufacturers of mosquito netting with local retailers, marketing communications firms, and the ExxonMobil sales network in Africa to build a sustainable program to prevent mosquito-borne diseases. The program offers product choices for all levels of consumers, including the poor.
- Visa International, FINCA, and local banks in Guatemala and Nicaragua are pioneering the use of electronic financial tools such as ATMs and electronic money transfers for the microenterprise and remittance sectors. The alliance widens access to financial services for poor entrepreneurs who are often outside the traditional banking community and minimizes electronic transfer fees for workers who send money home from abroad.

- The Business Creation Alliance unites foundations and other partners to bring pumps and other appropriate technologies and tools to farmers and entrepreneurs in Tanzania. Businesses kick-started by the technologies have a major ripple effect on the local economy. One corporate partner provides a steady market for crops grown with the tools the alliance provides.
- The Markala Sugar Project Alliance grew out of an initiative by the government of Mali to build a sugar industry to supply the domestic market and provide export revenue. Schaffer and Associates, USAID, and Mali's government verified that the concept would work before opening the alliance to additional partners and investors to join in implementation.

NETMARK ALLIANCE

PAIRING COMMUNICATIONS AND MARKETS TO FIGHT MALARIA

USAID convenes a longstanding international health education partner, a multitude of large and small manufacturers of mosquito netting, a consortium of health communicators, and a major fuel company to help protect millions from malaria.

PURPOSE

Protect millions in Sub-Saharan Africa from death or chronic illness from malaria by promoting the use of insecticide-treated bed nets while building African commercial carrying capacity for a sustainable insecticide-treated bed net market.

CONTEXT

There is no consensus on how best to fight malaria, an affliction that kills more than 2 million people in sub-Saharan Africa each year—mainly children and pregnant women. But the U.S. Agency for International Development, through the NetMark Alliance, makes the case for the long-term sustainability and effectiveness of African and international commercial partnerships in the manufacture, distribution, retail, and promotion of long lasting insecticide treated mosquito nets.

ACCOMPLISHMENTS AND OUTCOMES

Nine million treated nets sold. A successful demand creation campaign informs potential consumers that Mosquitoes Kill, Kill Mosquitoes with long-lasting insecticide treated nets. ExxonMobil Corporation provides demand creation support, discount voucher funding, and an expanded voucher distribution network.

ALLIANCE MEMBERS AND ROLE

U.S. Agency for International Development

Academy for Educational Development

ExxonMobil Corporation

Commercial and production partners:

A to Z Textile Mills

BASF

Bayer Environmental Science

SiamDutch Mosquito Netting Co.

Vestergaard Frandsen

Syngenta

Mossnet Industries

Harvestfield Industries

Reckitt Benckiser

Sunflag Nigeria

Communications and social marketing partners:

Exp. Momentum

Foote, Cone and Belding Advertising

FUNDING ARRANGEMENT

U.S. Agency for International Development: $65 million ceiling over eight years ($30 million to date)

ExxonMobil Corporation: $900,000 (to date)

Commercial partners: $20 million (to date, and not including unofficial partners)

Studies suggest that decreased productivity and higher health costs related to malaria negate economic growth in sub-Saharan Africa by 1.3 percent each year. Many more studies conducted over the past 15 years show that insecticide-treated bed nets (ITNs) reduce all-cause mortality rates among young children by at least 20 percent, severe malaria by an average of 45 percent, and premature births by 40 percent.

But large donor investments in purchase and distribution of nets are required to achieve these results across a continent. As demand grows for free or partially subsidized ITNs, so, too, does the donor and public fiscal burden. Research has shown that many people are willing and able to pay for nets, while some cannot. Unfortunately, donor resources are often wasted by supplying subsidized products to those already willing and able to pay, while the neediest go unreached.

The NetMark Alliance helps international and African manufacturers and distributors of ITNs develop sustainable markets that do not depend on donor funding. In addition to enlisting local commercial investment through a generic marketing campaign communicating the need to sleep under insecticide-treated mosquito nets, the alliance provides targeted, time-limited subsidies to prime new potential markets and distributes discount vouchers through public antenatal clinics and other outlets to reach vulnerable populations unable to pay full market prices. Finally, the alliance works in the national and international policy arena to reduce or eliminate taxes, tariffs, and other impediments to the proper functioning of the ITN market.

BUILDING THE ALLIANCE: ENGAGING THE COMMERCIAL SECTOR

What evolved into the NetMark Alliance began in 1998 when Dennis Carroll, an infectious disease specialist from the Centers for Disease Control but attached to USAID, convened a quorum of leading epidemiologists, public health specialists, and commercial sector professionals as a kick-off for the Agency's Infectious Diseases Initiative. The purpose was to examine the latest field trials for malaria drugs and formulate fresh approaches to treatment and prevention. This was a problem-solving conference, and Carroll was among those who hoped to build a consensus around ITNs as tools that met both immediate public health needs and the challenge of sustainability.

One of the attendees, David McGuire, was already convinced of the potential for partnerships with the private sector to build market momentum around ITNs. "Using donor money has its place and is very effective in some ways," he said. "But in terms of creating something that would last whether donor funding is available or not—I came to realize that you needed to engage the commercial sector in a much different way."

USAID issued the solicitation that became NetMark soon after the 1998 kick-off meeting. At that time, there were still questions about whether the commercial sector could carry ITNs as a valued good or that the commercial sector could viably complement, or even replace, direct donor subsidies.

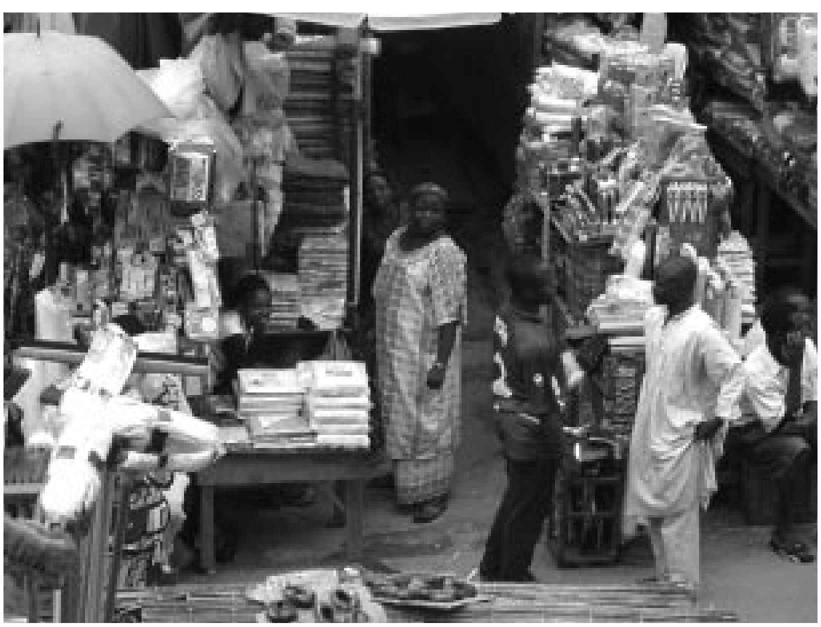
Consequently, when the Academy for Educational Development (AED) won the solicitation in September 1999, the organization faced

ROLES OF THE MEMBERS OF THE NETMARK ALLIANCE

- U.S. Agency for International Development developed the NetMark concept as part of its 1999 Infectious Diseases Initiative.
- Academy for Educational Development is the alliance's implementing partner.
- ExxonMobil Corporation funds vouchers for net purchases, honors vouchers at Mobil Marts, and creates demand for treated bed nets through the Help Us Help campaign.
- Leading manufacturers of netting and insecticides offer a reliable supply of products at reasonable prices.

an immediate challenge in pursuing this experimental new strategy. But McGuire, as director of the NetMark team, was determined to show that commercial sector partnerships could achieve public health goals.

The need for action could not have been starker. A NetMark study showed that in 2000, the year before NetMark began selling nets, retail prices for conventional untreated nets ranged from $3 in Nigeria to $27 in Zimbabwe, a significant amount of money for poor Africans. Wide-reaching studies estimated that malaria cost Sub-Saharan Africa at least one percentage point in annual economic growth each year from 1965 to 1990. The NetMark concept had to vie with major international initiatives from the traditional development organizations as well. NetMark's launch in 2000 coincided with the 1998 launch of the Roll Back Malaria Global Partnership by the World Health Organization, the United Nations Children's Fund (UNICEF), the United Nations Development Programme, and the World Bank as a global coordinating and information sharing mechanism, and the Global Fund to fight AIDS, Tuberculosis, and Malaria with its global financial support for local implementing groups responding to country ATM action plans.



AN INTRIGUING VALUE PROPOSITION

The linchpin of AED's winning proposal was a sole-source partnership with SC Johnson, a global leader in the marketing of insect control products. AED felt it necessary to work with a company that had the distribution and marketing capacity to take on a new product under a well established brand. Such a relationship would increase the likelihood of creating a viable ITN market within the original five-year timeframe of the project, as stipulated in the agreement between USAID and AED.

SC Johnson had understandable concerns about the viability of a commercial ITN market in an environment of low demand, highly subsidized competition, and uncertain tax and tariff policies. In addition, its timeframe was not consistent with NetMark's commitment to USAID to launch in at least four countries on a national scale. When initial market research indicated uncertain prospects for success, SC Johnson ultimately decided to withdraw from the partnership.

It was a heavy blow to AED, which had to decide whether NetMark should continue or be dismantled. AED's initial assumption hit an unexpected challenge. For McGuire there was no time to lose; quick action was needed to salvage the entire concept of engaging the private sector for commercial expansion of the ITN market.

The NetMark team made a case to senior staff at USAID and AED for presenting the same market data to all major net and insecticide manufacturers to determine if they would reach the same conclusion as SC Johnson, since companies already producing ITNs or treatment kits for the donor market might be in a better position to expand into the commercial market. Once USAID had accepted this proposal, the NetMark team presented to the six major suppliers of nets and insecticides—Aventis, Bayer, BASF, Siam Dutch Mosquito Netting, A-Z Textiles, and Vestergaard Frandsen—an intriguing value proposition: they could double their marketing budget through joint investment with NetMark, and gain the support of key policy makers and

CONSUMER BEHAVIOR AT THE BOTTOM OF THE ECONOMIC PYRAMID

Implementing a discount voucher program was an opportunity to observe consumer behavior in a population that normally enjoys a severely prescribed range of purchase options. Evidence indicates that, as would be predicted by Bottom of Pyramid scholars C.K. Prahalad and Stu Hart, individuals given the opportunity to become new consumers act like any other consumer by demonstrating a willingness to "upgrade" regardless of where they lie on the spectrum of purchasing power. For example, rather than use a $3 discount for a low-end $6 net of the sort that mass donor procurement would provide, 80 percent of consumers redeeming NetMark vouchers purchase higher-end nets that are bigger, longer-lasting, and even serve as something of a household fashion accessory through variation in color and style.

community groups by entering a new market with few competitors, and help save lives in the process.

By "doubling the marketing budget," NetMark was referring to its pledge to match commodity procurements for initial orders, and provide support for product distribution. Their efforts would also be supported by broad-based generic campaigns NetMark would conduct to communicate the need to use mosquito nets.

BALANCING EQUITY AND SUSTAINABILITY

While the initial NetMark alliance was conceived as a way to channel commercial investment into a functioning market for insecticide-treated mosquito nets, there was also the need to deliver ITNs to populations unable to afford the market price. Accordingly, the NetMark agreement between AED and USAID was modified to include action to achieve the proper balance between achieving sustainability through local commercial participation and equity through delivery of mosquito nets to the poorest populations.

The challenge was how to achieve equity in a manner consistent with the NetMark philosophy of strengthening the local commercial sector, and not disrupt sustainable market potential with poorly targeted donor intervention. The NetMark solution stresses a segmented market approach: a broad-based discount voucher scheme for those outside the reach of the market. Issued at public antenatal clinics, the vouchers were likely to go to indigent families. Because the vouchers were redeemable at local retail outlets rather than donor distribution points, the subsidy was still channeled through local commercial distribution channels. Also, the vouchers were not necessarily worth the full price of a typical bed net, as NetMark wanted to retain the basic feature of a market economy: that consumers should see the inherent value of the goods and chose the models they like and can afford.

AN UNEXPECTED PARTNER, AN INSTANT SALES NETWORK

By 2002, NetMark was battle-tested. Having weathered the shock of losing an important partner, NetMark had successfully reconfigured itself as a valued member of a consortium of manufacturers representing more than 80 percent of global supply of insecticide-treated bed nets. It had also introduced a voucher program targeting populations that were most at risk or beyond the reach of the market. This hard-won success was beginning to attract attention as a proven model of sustainability and equity.

McGuire was flying home from Tanzania in 2002 when he encountered a former colleague on the flight and struck up a conversation. When he talked with her about the success NetMark had achieved so far, she promised to refer the discussion to her husband, who worked at ExxonMobil's Global Issues Business Unit.

It was a serendipitous connection. ExxonMobil has been in Africa for a century as a producer and retailer. The company maintains 2,000 service stations in 30 countries while producing a million barrels of oil each day—activity that involves more than 5,000 direct employees and 50,000 through in-country supply chains.

In 2000, ExxonMobil made a strategic decision to reduce the malarial burden in Africa as the centerpiece of its corporate social responsibility program. Since that time, the ExxonMobil Foundation has invested more than $10 million in its Africa Health Initiative, supporting various anti-malaria programs. In January 2005, ExxonMobil announced that it intended to ratchet up its commitment to $10 million per year and maintain that commitment in subsequent years. The potential value in developing a partnership between NetMark and ExxonMobil was enormous.

After a series of "get to know you" discussions to identify shared priorities and build trust, NetMark and ExxonMobil developed the "Help Us Help" campaign. Help Us Help reinforces the basic message of NetMark's behavior-change marketing by teaching preventive actions against malaria. Capitalizing on the ExxonMobil network of Mobil Marts and service stations as a way of reaching beneficiaries, the campaign used a variety of materials to transmit the NetMark message: point of purchase education posters, banners, and T-shirts all communicating the need to "Help us roll back malaria."

The ExxonMobil service stations also served as a place where customers could purchase ITNs with the NetMark seal of quality, and where ExxonMobil/NetMark-branded coupons were honored. Finally, the campaign generated additional funds from ExxonMobil in the form of a percentage donation for every liter of gasoline sold. Donations went toward purchases of ITNs for children in orphanages.

The ExxonMobil Foundation made a small grant to test the approach in Zambia. When the pilot realized an 80 percent redemption rate and enabled approximately 8,000 pregnant women in the Kabwe and Lusaka districts to receive discounted ITNs, ExxonMobil and NetMark committed to expanding and replicating the partnership in Nigeria. The partnership was also subsequently expanded to Ghana, and Cameroon. The ExxonMobil Foundation has committed more than $900,000 to support the use of vouchers in these expansions.

The beauty of the partnership is that NetMark engaged ExxonMobil at every level of its operations in Africa. First, it was a natural fit with the company's focus on malaria through the Africa Health Initiative. From this shared sectoral focus came a partnership that yielded for NetMark a distribution network of hundreds of service stations and Mobil Marts. The network advanced both the local carrying capacity as points of sale for bed nets and a place where co-branded ITN vouchers were honored. With the proceeds generated by the Help Us Help campaign, ExxonMobil procured nets and distributed them at orphanages.

NetMark's collaboration with ExxonMobil has been recognized as a durable best practice for public–private alliances. UNICEF joined as a NetMark partner in Zambia and Senegal, while Britain's Department for International Development implemented the model in a large-scale initiative in Ghana.

A NET SUCCESS, EVEN BY DIFFERENT MEASURES

NetMark's loss of SC Johnson but gain of ExxonMobil as partners has proved rich in lessons and irony. NetMark initially bet everything on a single player and lost its first round, but then won the greater benefits of the consortium approach: a diverse and more sustainable supply chain, lower prices through investment and competition, expanded consumer choice, and flexibility in responding to production or supply problems.

ARE VOUCHERS TOO SLOW? AN ONGOING DEBATE

The need to reach the poorest of the poor with mosquito nets is a source of ongoing tension due to differences among donors, governments, nongovernmental organizations, and individual activists over the best way to combat malaria. Many argue that the only response to endangered lives is mass procurement and distribution of free nets. The governments of Uganda and Kenya have both withdrawn from planned voucher schemes as an inadequate response to the malaria threat; other African nations are expected to apply for funding from the Global Fund for AIDS, Tuberculosis, and Malaria to enable them to purchase bed nets for free distribution. However, mass distribution of free nets will almost certainly frustrate the development of local commercial and administrative capacity and ultimately may prove unsustainable. Local capacity is needed for the management of future health crises.

However, the consortium approach also has challenges. A commercial partner that sees a 4 to 5 percent increase in sales due to the partnership with NetMark would consider it an astounding success; but for public health advocates who need to reach 50 to 80 percent of the target population, such "success" is unacceptable (of course, a 5 percent increase for each of 10 suppliers may get to the public health goal). McGuire puts this in perspective: "These public versus commercial agendas can lead to success when [partners are] bound by a shared commitment around mutually beneficial goals, but also create interesting dynamics and tensions."

The mechanics of success and failure in partnerships can also be linked to *where* the collaboration is within the private sector's organizational structure. The partnership with SC Johnson originated as a proposal from its R&D department and was to be implemented by the marketing unit in sub-Saharan Africa. When the marketing team could not foresee a profitable outcome in assessing the market research, the partnership could not continue. Had SC Johnson's Corporate Social Responsibility unit been able to underwrite some of the business risk, the original partnership might still exist.

The successful partnership with ExxonMobil, on the other hand, leverages its existing brand image and network of service stations in a manner not directly tied to business strategies for future growth. It is more an exercise in good corporate citizenship. For ExxonMobil, the fight against malaria responds to the human case for action, interest in the health of its consumer base, and concern for its 5,000 direct and 50,000 extended employees. ExxonMobil's Africa Health Initiative demonstrates the corporation's acknowledgement of and commitment to these self-evident mandates.

LESSONS

Perhaps the greatest impact of NetMark is its demonstration that enlisting private sector involvement in malaria prevention works. Rather than using Global Fund resources exclusively to procure a volume of nets, African governments can invest in homegrown commercial capacity that will outlast donor support. The NetMark approach is not a magic bullet solution, but seeks to maximize commercial sector involvement within the context of the Roll Back Malaria Campaign by using a mixed model that includes commercial, subsidized and free products through market segmentation. The exact extent of the private sector's ability to deliver ITNs throughout Sub-Saharan Africa has yet to be fully demonstrated, but if the NetMark alliance has demonstrated anything it is that a lasting solution will not be found without it.

As it is, with more than nine million ITNs sold, NetMark's new goal is 20 million, or about $60 million in commercial investment. The alliance developed a successful social marketing campaign to educate people about ITNs as an effective way to avoid disease. An exceptional supply chain produced a range of popular ITN products and choices and a sales network through Exxon that could reach the intended market.

In terms of a scaleable model for other similar challenges, NetMark shows that:

- Donor resources for malaria can be efficiently applied to local and international partnerships that build commercial carrying capacity.
- A clear and focused response to a major public health problem through a well-balanced public–private alliance can have a significant impact.
- There are benefits to having diverse partners with well-defined roles.
- Investment and competition can result in lower prices, expanded consumer choice, and improved supply. The program provided equal access to ITNs to the poor through a voucher system.

NEXT GENERATION MICROFINANCE ALLIANCE

BRINGING EFFICIENCY AND SECURITY TO MICROFINANCE AND REMITTANCES

PURPOSE

The U.S. Agency for International Development and FINCA, pioneer of the village banking model, have partnered with Visa International's financial services network to modernize banking and money transfers for poor people in Guatemala and Nicaragua. Co-branded debit cards provide security and convenience for micro-entrepreneurs, efficiency for commercial banks and microfinance institutions, and cross-border funds transfer capability to facilitate remittances at reduced or no cost.

CONTEXT

Small loans, often $200 or less, reduce poverty in a big way by allowing aspiring entrepreneurs in low-income countries to start or expand small businesses. A broader array of financial services—savings and checking accounts, funds transfer, flexible credit, and insurance—can sustain the successful entry of low-income actors into the broader economy in which they live and operate.

ALLIANCE MEMBERS

U.S. Agency for International Development

FINCA

Visa International

Bancafe

Bancentro

ACCOMPLISHMENTS AND OUTCOMES

The Visa–FINCA–Bancafe debit and remittance card made available to FINCA's 12,000 clients—all of them women—in Guatemala.

FUNDING ARRANGEMENT

U.S. Agency for International Development: $610,000

Visa International: $641,800 in technical expertise

FINCA and other partners: $168,420

A leader in global finance teams with a preeminent microfinance institution to expand the reach, efficiency, and affordability of banking and remittance services for the aspiring poor. The outcome will provide millions of extra dollars in direct investment for small business development.

Blanca Jimenez could provide for her family on her husband's income, but there was seldom any left over to save or for the children's education. Her homemade bread was famous in her neighborhood and she wanted to open a small bakery as a way of bringing in more income. Her husband used a part of his income to purchase raw materials from a family friend with a wholesale business. With help from Jimenez's father and brothers, they built a clay oven. She began baking her bread and selling door to door.

Then Jimenez took out her first FINCA loan—about $100—and over the next five years received 13 more to purchase specialized supplies, such as molds, bread trays, and a kneading machine, as well as greater quantities of ingredients. Her business activity has had important spillover effects—the family friend's wholesale business expanded to provide more supplies for Blanca and other bakeries in Guatemala City. Today, Jimenez oversees a bakery and four outlets, employing nine bakers. She earns enough to send her younger children to school, while her older ones now have a family business to help maintain and grow.

With her next loan from FINCA, Blanca intends to open another bakery. But this time, instead of receiving the entire proceeds of her loan at FINCA's country office, she'll be given the opportunity to have her loan deposited electronically into a savings account at Bancafe—a local commercial bank. What's more, she'll be given a debit card to access her account at the bank, use its ATMs, or make purchases at participating merchants.

The card, branded with the name and logos of FINCA, Bancafe, and Visa International, reduces her exposure to theft. And her account at the bank gives her access to a range of financial services she needs as her business expands. For any of Blanca's family who work abroad, the card can access funds transferred internationally from agencies or bank accounts.

If the Visa brand is an unexpected sight in relation to a microfinance loan, that's because the organization has just begun to develop the business models and financial services products that enable their member banks and merchants to cater to low-income market segments. Through their microfinance alliance, USAID, FINCA, and Visa help draw together the realms of commerce, finance, and effective, sustainable poverty reduction.

BUILDING THE ALLIANCE

In its 30-year history, Visa has been at the forefront in the explosion of electronic financial services. Today, 1.3 billion Visa cards circulate in 150 countries, with transactions generating more than $3 trillion in annual sales volume—more than 10 percent of all personal consumption in many developed markets.

In following its mission to expand the benefits of electronic payments to all the world, Visa has been aware of the macroeconomic benefits to developing economies of electronic payments—increased transparency, greater efficiencies, higher security, and the migration from informal, un-banked economies to the formal financial sector. In terms of positive social impact, the tangible improvements to the life of poor and low-income individuals are diminished reliance on predatory lenders and government aid; enabling the aspiring poor to build businesses, create personal wealth, and achieve dignity through self-sufficiency; and the investment potential from streamlining and improving transfer of remittances from family members working in other countries.

The company quickly identified microfinance as a way to use electronic payment solutions to help local economies obtain greater access to capital, thereby advancing its broad business objectives while building positive working relationships with a broad range of stakeholders. It seemed a win-win situation: Visa could benefit local economies through greater access to capital while it developed and refined new financial services products that catered to low-income market segments.

But Visa is a service executed through member banks and very few banks have reconfigured themselves to provide banking services for microcredit clients. For Visa to contribute, it needed a member bank willing to deploy a business model that had a high number of customers with low account balances. Such services were almost entirely provided by microfinance institutions—usually local or international nonprofit organizations that could not legally provide the full services of a bank. Visa needed to learn more about the field.

FINCA was identified as a potential partner due to its preeminence in microfinance; also, an attorney sitting on a committee examining Visa's potential role in international development was acquainted with a member of FINCA's senior staff. The Visa attorney suggested that FINCA, a pioneer in the village banking model, could educate Visa about microfinance and perhaps serve as a potential partner.

Conference calls and personal presentations about the microfinance field and FINCA's corporate capabilities laid the groundwork for a stronger relationship. One area of potential collaboration was to improve FINCA's efficiency through the use of Visa electronic payment solutions: Visa had the technical capability to contribute to such a project while FINCA brought to its long history as innovators and service providers in microfinance. The alliance would be based in Latin America because FINCA was well established there and Visa's regional director was interested in developing new financial services products to serve the bottom of the economic pyramid.

ROLES OF THE MEMBERS OF THE NEXT GENERATION MICROFINANCE ALLIANCE

- U.S. Agency for International Development provides funding resource and local support.
- FINCA, as the alliance's implementing partner, works directly with banks to transform FINCA clients into commercial bank customers.
- Visa International provides staff time and expertise, access to member banks, brand strength.
- Bancafe and Bancentro provide commercial banking services in Guatemala and Nicaragua.

TRADITIONAL PARTNERS, NOVEL IDEAS

FINCA has a long history with USAID as a traditional implementing partner. In 2003, when the Global Development Alliance (GDA) solicited innovative projects that brought additional resources and new partners to the table, FINCA recognized a good fit between its relationship with Visa and the GDA mandate to orient USAID missions and bureaus toward partnerships. FINCA proposed to hire a project leader to identify and establish working relationships with Visa member banks in Latin America to pilot the use of Visa payment solutions among microentrepreneurs.

Holly Wise, then director of the GDA Secretariat, took an interest in the proposal. "It wasn't so much that additional support for FINCA represented a unique opportunity," she recalled. "But their strategic relationship with Visa certainly merited attention. In addition to engaging Visa as a partner, we thought the potential impacts of the relationship would be increased efficiencies among our microfinance development partners, and possibly even a reduction in remittance transfer costs further down the road."

With endorsement from GDA and a favorable technical review from the economic growth team at USAID, the alliance was announced at the World Economic Forum in Davos, Switzerland, in January 2004. USAID administrator Andrew S. Natsios joined Malcolm Williamson, then Visa International's president and CEO, and FINCA executive director Rupert Scofield in presenting the alliance as a concrete example of one of the meeting's core themes: partnerships among governments, businesses, social entrepreneurs, and nongovernmental organizations (NGOs) as drivers of economic opportunity.

BANKING THE UNBANKED

Commercial banks do not typically consider it profitable to engage microfinance clients. The cost of paperwork to register new accounts, for instance, exceeds the profits from their small deposits. For the aspiring poor, minimum balance requirements are a formidable obstacle to entering the banking system.

While banks are not organized to work with poor and illiterate clients, FINCA's mission supports precisely this clientele. However, like most other microfinance institutions, it cannot accept deposits from its clients without first becoming a regulated financial institution. The cost to do this in Guatemala, Nicaragua, and many other countries has been prohibitive. Instead, as part of its alliance role, FINCA connects its clients with commercial, Visa member banks.

In Guatemala, the partner bank is Bancafe. FINCA's client database supplies documentation that allows Bancafe to process new accounts efficiently. Because it is a conduit for a large number of clients, FINCA has been able to negotiate favorable terms with Bancafe, for example, a relaxation of minimum-balance requirements.

FINCA clients gain access to formal savings accounts, providing them with a secure means to accumulate wealth and a platform to access formal money transfer services and insurance. It is here that Visa adds value to FINCA's efforts. Under the Next Generation Microfinance Alliance, up to 12,000 are expected to become Bancafe customers and receive co-branded FINCA–Visa–Bancafe debit and remittance cards. Card services include savings accounts, ATM access, electronic purchases at Visa-participating stores, and a convenient, cost-effective money transfer mechanism.

In Nicaragua, partners are exploring the possibility of delivering a flexible business credit line through the FINCA-Visa card, in addition to the remittance and loan disbursement innovations under way in Guatemala.

REMITTANCES—LOWERING TRANSACTION COSTS... AND RISKS

In a significant alliance innovation, holders of FINCA–Visa cards and Bancafe savings accounts may receive funds transfers from family members in the United States. Clients visit or call the bank to transfer funds directly to their Bancafe accounts in Guatemala. Bancafe customers may then access the transferred funds at ATMs or merchants that accept Visa.

The potential impact of this innovation is vast. Worldwide, migrants' remittances are the second-largest source of financial transfers to the developing world (after foreign direct investment and well ahead of official development assistance). In 2003, remittances from the United States (the largest source country) topped $28 billion, providing capital for many microentrepreneurs. Through the debit card, as many as 12,000 microbusinesses in Guatemala—all owned by women—can in-

ON MICROFINANCE INSTITUTIONS BECOMING BANKS

Whereas FINCA has been extremely successful in extending credit to the poorest of the poor, offering savings and remittance services that FINCA's micro-business clients need has proven much more difficult. Authorities may allow an international NGO such as FINCA to risk its own capital, but the savings of commercial bank customers receive much stiffer prudential regulation.

Before accepting deposits an institution must build information systems that can close its books under deadline and generate statements that conform to specific national formats established for commercial banks. FINCA has transformed 3 of its 22 country operations into such regulated entities and plans to transform more, but the process is arduous. Visa's involvement in the Next Generation Microfinance Alliance speeds the process for FINCA by helping select the most suitable member bank to approach and interceding on FINCA's behalf when the partnering process stalls.

vest remittances, loan proceeds, and their own savings directly into their businesses, avoiding costly money transfer operators and risky informal operators.

If extended to the millions of people who send remittances from the United States and elsewhere to Latin America, funds transferred by debit card could save, annually, hundreds of millions of dollars otherwise lost in transaction costs, and redirect it to the investment and consumption needs of poor families.

As elsewhere, carrying cash in Latin America can be dangerous. For clients who purchase directly from merchants in the Visa network, the Visa–FINCA card reduces risks for client and merchant alike. Instead of cashing a check and then leaving the bank carrying cash, clients can use their Visa–FINCA card to withdraw only the amount they need for immediate purchases. By accessing the network of ATMs and Visa member banks, they can also withdraw cash closer to where they make their business purchases, reducing the risk of traveling with cash.

Using cards, Bancafe customers also save time waiting in bank branch lines, while Bancafe is able to move clients from costly teller windows to more efficient ATMs, thereby lowering the costs of serving poor customers.

OUTCOMES AND LESSONS

The aim of the alliance is to bring more people into the formal banking system by helping commercial banks, and Visa itself, develop profitable business approaches and products suitable for low-income customers. For banks, the solution is a high number of low-balance accounts. For Visa, it is adapting existing solutions for a new segment and developing new tools, some of which meet the needs of this segment for cross-border financial services. Someday, both Visa and the commercial banking system will know how to do this. It is in the allying of partners with shared resources and complementary interests that brings that day closer.

"The value of partnership is strongly demonstrated by this alliance," remarks Tim Huson, director of electronic products at FINCA. "When USAID's support enables FINCA to partner with a commercial bank and offer Visa's electronic payment services, it's a success for everybody—but most of all the poor, who require only the right opportunities to succeed."

Ultimately, the success of the alliance depends on the ability of a commercial bank and FINCA to devise a mutually beneficial business approach that expands the range of services to low-income clients. One key success factor in this respect is leveraging the ability of a microfinance institution to gather and verify client information at a relatively low cost. Many poor clients cannot readily provide documentation, and because many are illiterate they need help to complete the required paperwork. FINCA solves these problems for banks, vastly simplifying the task of processing new-account applications and meeting the tough "know your customer" regulations that have been adopted in most countries to curb money laundering and prevent terrorist financing.

In addition to cross-fertilizing the fields of microfinance, electronic payments, and remittance services, the Next Generation Microfinance Alliance should allow Visa to share success strategies and best practices with member banks around the world to bring the benefits of formal financial services, in cost and security, to more of the world's poor.

According to Sandy Thaw of Visa's product group, the Next Generation Microfinance Alliance has generated just such a discussion among Visa's executive leadership. With help from USAID and FINCA, Visa has the opportunity not only to improve the capabilities of its members to serve the unbanked, but also apply the lessons of its new partnership and become, in effect, a permanent partner in furthering a development agenda.

WHY 12,000 WOMEN?

FINCA loans to men and women but targets women clients because they have the least access to credit and because women with children are typically the poorest segment of the poor. Evidence also suggests that women channel loan proceeds toward nutrition, health and education for themselves, their husbands, and their children, while male heads of households do not always utilize resources as productively.

BUSINESS CREATION ALLIANCE
NEW TECHNOLOGIES FOR PROFIT

A Stanford engineer enlists the U.S. Agency for International Development in a social enterprise in Africa based on simple designs, durable profits, and sustainable local supply chains.

PURPOSE

To develop and market low-cost tools that poor farmers can use in profitable businesses. The U.S. Agency for International Development supports KickStart's efforts to build markets and raise demand to a level where donor subsidies can be replaced by a fully sustainable supply chain.

CONTEXT

In Tanzania, 80 percent of the populace works in agriculture. However, falling household income, limited access to water, and lack of affordable technology constrain production capabilities. To stimulate growth through agriculture, development initiatives must address these issues.

ALLIANCE MEMBERS AND ROLES

KickStart

U.S. Agency for International Development

KickStart co-investors, including:

Mulago Foundation

SC Johnson Corporation

Case Foundation

Lemelson Foundation

Nike Foundation

John Deere Foundation

ACCOMPLISHMENTS AND OUTCOMES

Nearly 3,000 pumps sold under a USAID grant have generated $2.4 million in profits and wages. Thirty-three wholesalers have been established, and 126 retailers recruited and trained. Each $1 invested by donors generates an estimated $20 in new income for farmers.

FUNDING ARRANGEMENT

U.S. Agency for International Development: $650,000

KickStart co-investors: $810,000

Abedinego Lession and his wife Monica started a business cultivating ornamental plants and flowers at their home in Tanzania about seven years ago. For the first five, they watered plants by toting buckets of water from the only source available: a communal irrigation stream that supplied each household two hours a week. The work was tedious, and they were not able to irrigate all their flowers within the allotted time.

But with six months' savings, the couple invested $75 in a KickStart Super MoneyMaker irrigation pump. The contraption, which resembles a stripped down Stairmaster, combined the pumping action of a normal walking gait with the pressure created by a vacuum to lift water 23 feet and irrigate up to two acres of land.

Today the Lessions earn about $130 a month, twice what they earned before. "We are now able to cover all our domestic needs, our children's school fees, and maintenance of our buildings," reports Abedinego Lession.

The Lession family is only one of nearly 40,000 businesses begun or expanded in Tanzania, Kenya, and Mali thanks to water pumps and other simple, appropriate technologies created by KickStart. Their added profits are a tiny part of $38 million in new wages and profits generated by KickStart products. In Tanzania, farmers using KickStart pumps generate profits and wages equivalent to 0.2 percent of Tanzania's reported GDP.

BUILDING THE ALLIANCE

KickStart was founded by Nick Moon and Martin Fisher, two veterans of African development efforts. Frustrated by the lack of lasting progress against poverty, and inspired by the tremendous entrepreneurial spirit of poor Africans, they set out to create a new model for fighting poverty. Because 80 percent of the world's poor live on small farms, Moon and Fisher knew that helping farmers improve their productivity would have the greatest impact on global poverty. Fisher, a Stanford-trained engineer, designed a number of simple, manual tools that people could use to create an income for their families.

The technologies born from his efforts were designed to create entrepreneurship opportunities. KickStart's manually operated oilseed press helped stabilize and lower the cost of that commodity after the removal of price controls. Its housing-block presses and carpentry tools are sold at half the price of competitors' tools. And the company's design for a latrine pit cover has been applied in refugee camps all over central and eastern Africa.

But the technology with the greatest economic impact has been the MoneyMaker line of micro-irrigation pumps. For about $60 ($90 for the deluxe Super MoneyMaker), farmers can move from seasonal subsistence farming into high-value crop production by farming year round in several crop cycles.

The U.S. Agency for International Development's (USAID) first partnership with the company that became KickStart began in 1997 in Kenya. ApproTEC, as the company was then known, approached USAID again in 2004 through the Global Development Alliance (GDA) solicitation for innovative development solutions and new partners willing to bring resources to the table. The organization had recently opened a domestic office and launched an outreach campaign to take its proven concepts to scale. ApproTEC asked USAID to support the important first step of expanding sales of irrigation pumps in Tanzania.

Thomas McAndrews, a private sector development officer in USAID's Tanzania mission at the time, recognized the company's value, commenting that the pumps "could have a profound impact on the income streams of small farmers and their families." While neither the mission nor GDA could support the company enough to confidently foresee the end of marketing subsidies, they could participate with its private sector funders to help reach that goal and help thousands of subsistence farmers create a middle class.

USAID/Tanzania offered $200,000, while GDA committed $450,000 from its 2004 incentive fund. These funds were matched by cash resources totaling more than $700,000 from the Mulago Foundation, the Case Foundation, SC Johnson Corporation, and the Nike Foundation. Jill Rademacher, senior vice president of the Case Foundation, spoke for many foundation partners when she explained her organization's support: "We look for NGOs with the ability to scale innovative and proven approaches. Being able to leverage the contributions of many was also an important factor in our decision to partner with USAID."

As a part of its expansion campaign, ApproTEC took on a new name that better reflected its mission and impact—to kick-start businesses, lives, and economies. While proud of its roots in the appropriate technology movement, the organization had carved out a special niche by focusing not on devices that *saved* time or money, but on those that *made* money.

AMBITIOUS TARGETS

KickStart's target is to sell 7,000 irrigation pumps to farmers and an additional 3,000 to local nonprofits and relief agencies. USAID's support is used to refine the company's marketing techniques and effectiveness, to improve product design, to assess product performance, and to measure the economic impact of the pumps on the households that purchase them.

The greater goal is to help KickStart achieve the critical mass of sales needed to pay for its marketing budget. Once a stable demand for the technology exists, the company intends to make it the anchor of a complete supply chain, first transferring the technology to manufacturers and building their capacity to mass-produce it, then getting the product to distribution hubs that can deliver the products for sale at retail outlets. In time, as demand and sales increase, the cost per sale will drop to point where a profit is made on each sale. KickStart will use these profits to develop new technologies and to build markets in new countries.

Ending marketing subsidies and developing integrated supply chains are just two facets of the KickStart intervention, which cycles continuously through:

- *Market research* to identify small-scale business opportunities with high potential. Market and subsector studies examine the raw materials available to an economy, the products that compete with a proposed technology, and market demands and constraints for small enterprises.
- *Design and production of new technologies.* In addition to the tools, equipment, manuals, and business plans required to create and roll out a new product, KickStart provides tooling, quality-control specifications, and training for manufacturers.
- *Marketing to entrepreneurs.* KickStart recruits and trains existing local retailers. It then purchases products from its circle of manufacturers and sells them to the retailers.
- *Demand creation campaigns*, perhaps the toughest step in the cycle. Despite the time and effort invested in new and appropriate technologies and the innovative results achieved, KickStart's products are big-ticket items for local farmers. But with time, effort, and excellent product performance, marketing begins to generate awareness and

sales to the point that full cost recovery is possible. Marketing techniques include promotional sales and discounts, radio and newspaper advertisements, live demonstrations, and the legwork of a commissioned sales staff.

- *Monitoring of impact.* KickStart's monitoring staff interview a random selection of purchasers when they first buy the technology and again one and two years later. KickStart staff administer detailed questionnaires and gather data to determine the impact of the new businesses and the performance of KickStart products. Products that fall short of the desired increase in the owners' income are discontinued. The data help KickStart gauge how fast it is approaching full cost recovery.

PUMPING PROFITS

KickStart's private sector investors, like USAID, are committed to poverty reduction for its own sake. But they have chosen to spend their development dollars on KickStart, in particular, because of the resonance between the organization's mission, approach, and impact and the issues and conditions donors identify as important to them. Two examples are the Case Foundation, and SC Johnson Company.

The Case Foundation is an example of what *Business Week* has called the new breed of philanthropic foundations, often founded by investors and entrepreneurs, who then bring their business acumen and entrepreneurial approach to the practice of development. The KickStart story and method meshed well with Steve and Jean Case's own success stories as founders of America Online, and they have personally visited KickStart's Kenyan operations to share their business perspective. The Case Foundation also provided a communications expert as KickStart debated its name change in May 2005, advised KickStart on its expansion campaign, and committed $100,000 in operating support for its program in Kenya. Says Martin Fisher: "Steve and Jean Case really understand what we do, and it is especially gratifying when supporters are engaged on so many levels."

SC Johnson provides financing for KickStart's efforts to reach farmers in the Kenyan highlands, one of the most remote areas of the country. There, some 200,000 subsistence farmers harvest the chrysanthemum plant for its active ingredient, pyrethrum, whose natural insect-killing properties is the action agent in

SC Johnson's Raid and Baygon products. Kenya produces two-thirds of the world's supply of this natural insecticide, and SC Johnson is the world's largest buyer. But only 12 percent of farmers irrigate their lands, depressing crop yields, while the lack of extension services has degraded crop quality. Despite its comparative advantage, Kenya is not maintaining its share of the global market in active ingredients for insecticides.

Since Kenya's pyrethrum farmers do not often visit the city and town centers where KickStart's regular marketing activities take place, SC Johnson enables KickStart to take its marketing outreach directly to the highlands. Through promotions and event marketing—such as contests to determine who can fill a water tank faster using one of the pumps—pyrethrum farmers see what the pumps can do for their lives. In the first year of SC Johnson's involvement, more than 10,000 farmers have had an opportunity to learn about the pumps through radio and newspaper advertisements, newsletters, posters, contests, and other marketing.

Tied marketing is also an element of the partnership. SC Johnson supplies a can of Raid or Baygon insecticide with every pump sold, establishing the SC Johnson brand in the minds of new consumers who, thanks to the pump, will soon enter the middle class and have more disposable income for public health products, such as insecticides. The Pyrethrum Board of Kenya supplies a pack of high-quality pyrethrum seeds with every pump sold, providing further value to the farmers and restoring seed quality for future generations.

Pyrethrum production per acre has increased substantially, allowing SC Johnson to continue to use natural pyrethrum rather than switching to a synthetic replacement. At the same time, pyrethrum farmers boost household incomes that will improve nutrition, health, and education for their families. For SC Johnson, it is an opportunity to invest in the well-being of communities in a manner that improves the conditions of its factor inputs and may lead to a new market niche at the bottom of the economic pyramid.

NEXT STEPS

The Business Creation Alliance is a part of KickStart's $16 million plan to create 80,000 new enterprises by increasing market penetration in Kenya, Tanzania, and Mali, and expanding to three new countries in the region. A low-cost hip pump and deep-water pump are two new technologies under development. Priced at about $30, the hip pump is designed as an entry-level product, while the design of the deep-water pump will allow it to reach 70 feet below the surface through well shafts and boreholes. Marketing efforts also include product placements in a radio soap opera and mentions in a song by a popular Tanzanian performer. KickStart hopes to test a rural micro-credit project by the end of 2006.

These efforts are progressing while the organization overcomes obstacles—among them increases in the cost of steel that threaten to price the pumps out of the market, a copycat manufacturer that is threatening the reputation of the KickStart brand, and continued difficulties in reaching rural consumers. Despite these challenges, KickStart is well positioned, with a wide mix of public and private funders.

For-profit and foundation donors provide the majority of KickStart's funding. Official bi- and multilateral donors provide just 14 percent of KickStart's revenues, an amount that is exceeded by KickStart's earned income. KickStart's goals is to increase earned income, reduce the need for marketing subsidies, cultivate a wide array of private sector funding sources, and enlist official donors for help only in navigating the intricacies of a given development milieu. The company's plan is well aligned with USAID's approach to partnerships, in which the agency gradually reduces public funding but continues to play a convening and facilitating role among diverse stakeholders.

MARKALA SUGAR PROJECT ALLIANCE
"WE WILL DO GREAT THINGS TOGETHER"

PURPOSE
The Markala Sugar Project Alliance, part of a long-term plan to build a sugar industry in Mali, mobilized funds to prove the feasibility of a program to grow and process 8,000 tons of sugarcane per day, about five times the country's current capacity. The expected outcome—to produce 164,000 tons of sugar per year—will have a major impact on Mali's internal economic development by creating jobs, raising indigenous managerial capacity, stimulating investment in infrastructure, and generating export income.

CONTEXT
With per capita income of $860, Mali is a poor country on the southern edge of the Sahara. But the Niger River holds out the promise of economic growth and jobs through expansion of agriculture. Only 6 percent of Mali's one million hectares of arable land are presently cultivated, leaving ample room to grow and process sugarcane to satisfy strong domestic demand and earn export revenue.

ALLIANCE MEMBERS
U.S. Agency for International Development

Schaffer and Associates International, LLC

Ministry of Industry, Government of Mali

Office du Niger

ACCOMPLISHMENTS AND OUTCOMES
After a preliminary feasibility study and initial testing showed that sugarcane could be grown in Mali, the alliance has expanded its program of field-testing and attracted private sector interest. Two enterprises have been created: Caneco, to grow and harvest the cane; and Société Sucriffre de Markala, SA, to build a factory to process the cane and market sugar domestically and regionally. The alliance's $1.785 million investment is expected to attract $270 million in capital, the largest amount of foreign direct investment that Mali has ever attracted.

FUNDING ARRANGEMENT
U.S. Agency for International Development: $892,000

Schaffer and Associates International, LLC: $626,000

Government of Mali: $177,000

Office du Niger: $90,000

A visionary but businesslike public private approach to building a sugar enterprise is proving a tremendous growth opportunity for Mali, one of the poorest countries of Sub-Saharan Africa. The enterprise is expected to generate 5,000 jobs, build the domestic economy, and generate export revenue.

Mali's 11 million people consume about 140,000 metric tons of sugar annually, of which less than 30,000 metric tons are produced domestically. The Markala Sugar Project is designed to make Mali self-sufficient in sugar and allow export of up to 60,000 tons of sugar each year, while opening investment opportunities and creating thousands of jobs to lift Malians out of poverty. This home-grown concept was a natural candidate for a public–private alliance.

THE IDEA: TO CREATE JOBS ALONG THE NIGER RIVER

The idea that became the Markala Sugar Project sprang from Mali's plan to develop a poverty-stricken region along the Niger River. Agribusiness, and particularly sugar, had already been identified as a primary sector for development and investment. With funds from the U.S. Trade and Development Agency, the Malian ministry of industry, commerce, and transport hired Schaffer and Associates International, LLC (SAIL), to conduct a feasibility study for proposed sugar development in the region of Ségou. SAIL matched the funds provided by the U.S. government.[1] The study, approved by Mali's government in 2001, concluded that the region appeared well suited to the further development of sugarcane, based on the quality and quantity of available land, the ready availability of water from the Niger River, the availability of workers needing employment, and attractive financial projections.

The plan called for sugarcane to be grown on 15,000 hectares of irrigated land, with 2,500 hectares dedicated to small farmers. A future sugar factory would have the capacity to process 8,000 tons of cane per day. Total annual production was projected at 1.53 million tons of cane, or 170,000 tons of sugar, exceeding domestic demand and providing export opportunities. Further expansion was to be divided equally between the estate and small farmers.

RECOGNIZING AN OPPORTUNITY—BUILDING THE ALLIANCE

Pamela White, USAID's mission director for Mali at the time, first heard about the plan from SAIL president Francis C. Schaffer. Having been briefed on alliance approach by GDA, and with her thorough knowledge of conditions in Mali, White quickly tagged the Markala Sugar Project as alliance material. Now the USAID director in Tanzania, White recalls the moment:

"Sometime in the fall of 2001, I went to a meeting that Francis Schaffer was chairing on the merits of building a sugar factory in Mali. I really was there by happenstance. Holly Wise had finally convinced me that the GDA concept was truly viable and worth pursuing. I was looking for a chance to build an alliance when someone mentioned to me that the Schaffer Company was holding a briefing at the national convention center. Schaffer gave such a technically detailed yet passionate speech that I was immediately convinced.

"Later that night I met Schaffer again at the ambassador's residence and asked him if he would like to work together. Before I could even outline my ideas, he responded, "We will do great things together." After that there was no turning back. I knew that no investors would come to Mali (a bit off the beaten path) unless we could prove to them that Mali was a good place to invest, so Mr. Schaffer and I agreed that we would, together with the government of Mali, start sugarcane trials to prove that land in Mali was indeed suitable for development of sugarcane and could produce enough cane to support a factory with a daily capacity of 8,000 tons.

"At first the road was rocky—what would be the government's share? Who would implement the project? How could we move the money quickly? What about environmental concerns? We took the challenges on one by one, never getting discouraged by bureaucracy or lack of vision. Many, even in USAID Mali, could not see where we were going. Many said it was illegal to give USAID money to a private company. I knew that it wasn't. Environmentalists said that it would take a year to get the clearances—it took about four

months thanks to a very dedicated USAID environmentalist. Some said that the land that the government had given us wouldn't really produce anything—it did. We had problems getting the land graded correctly; we had problems getting the sugarcane samples into the country; we had problems with the government's customs officials but we took on each task, overcame, and carried on.

"Today this is a fabulously successful project even without the factory, which will be built next year"[2006].

ROLES OF THE MEMBERS OF THE MARKALA SUGAR PROJECT ALLIANCE

- U.S. Agency for International Development provides funding and project support.
- Schaffer and Associates International, LLC, provides program management, implementation, and design.
- Ministry of Industry, Government of Mali provides research and land preparation.
- Office du Niger provides water and power from the Niger River.

ALLIANCE PARTNERS SOW THE SEEDS OF FUTURE INVESTMENT

From their initial meeting in 2001 through the completion of the GDA proposal in March 2002, SAIL worked closely with USAID and the government of Mali to design a sound alliance of private and public organizations. The initial three-year alliance, approved in July 2002, has committed nearly $2 million already, with a further $1 million planned for 2006. The government of Mali provided land and water resources and owns the majority stake in Caneco, the cane growing enterprise for the project. With support and direction from key ministries, the Office du Niger (which manages the river), and USAID, SAIL hopes to complete the total funding package for the Markala Sugar Factory in 2006, leveraging alliance funds to attract other investments and funding totaling about $270 million. In the process the project will create some 5,000 jobs for the people of Mali.

The alliance-funded testing plan included four stages, the first two of which had been completed by 2005:

- The first goal was to establish the viability of large-scale cultivation of sugarcane. Setting up a methodical testing protocol, the alliance determined the most suitable varieties of cane for Mali's climate and soil.
- The second goal was to test fertilization and irrigation methods and requirements.
- The third goal is to test the best cultivars and agronomic practices in actual farm trials on the Caneco estate and with small farmers.
- The last stage is to dedicate a plot of 30 hectares to produce seed cane to be used on the commercial estate and by participating farmers.

Several social benefits are built into the Markala Sugar Project Alliance. Employment opportunities are aimed at both men and women. The program will engage young farmers and provide training and technology transfer. Small farmers and rural communities in the Segou region will be able to participate in sugar cultivation, share access to improved infrastructure, and enjoy new opportunities to earn income, among other health and welfare resources.

CANE AND ABILITIES

The probability that the enterprise will prove sustainable is high, thanks to careful planning and conservative business projections and assumptions about yields, prices, and other matters. The partners clearly apportioned their responsibilities and the uses to which their financial contributions would be put during the first four phases of the Markala project.

Once field-testing and seed production are complete and the full investment has been raised, factory construction, infrastructure development, land preparation, and cane planting will begin. The first harvest is expected to coincide with commissioning and testing of the completed factory. Sugar production and factory throughput is projected at 29,000 tons during commissioning (Year 0), rising to 162,000 in Year 6. SoSuMar expects an internal rate of return of 57.95 percent. SoSuMar shareholders include the Chamber of Commerce of Mali, Schaffer and Associates International LLC, and Illovo Sugar.

The major economic benefit of the project comes through substitution of domestic sugar for imports presently valued at about $45 million, which will stimulate the local economy instead of being sent abroad. The social impact in the region is represented by approximately 2,000 direct full-time and more than 3,000 seasonal jobs in the SoSuMar factory and on the Caneco estate. Some 300 small farms covering 2,600 hectares of the Caneco estate will provide further job opportunities and growth, and encourage an economy of private commercial farms within Caneco. When full investment capital is achieved, the Markala Sugar Project will provide the largest return on investment of any public–private alliance to date.

1. The chief innovation in this alliance was that, after careful review by contract officers, the U.S. Agency for International Development (USAID) made a grant to a for-profit company to conduct research on sugarcane varieties appropriate for Mali. USAID funding for the project did not violate the Downey amendment.

CHAPTER NINE

WATER FOR LIFE

IMPROVING THE FLOW OF HEALTH

Sustainable freshwater is a critical underpinning of all development. By the year 2025, 2.8 billion people in 48 countries (one-third of the world's population) are expected to face severe and chronic water shortages. Worldwide, more than 1.2 billion people are at risk of illness because they lack access to clean water services. With the Conrad N. Hilton Foundation, The Coca-Cola Company, and other partners USAID is working to reduce the incidence of diarrheal diseases and other dangers of unsafe water, and to improve the management of water resources.

- WAWI unites 13 international organizations in partnership with local governments and communities to provide water supply and sanitation service delivery, hygiene promotion, and water resources management in rural and peri-urban Ghana, Mali, and Niger. WAWI is developing a coherent partnership model that promotes a community-driven, sustainable, integrated approach to service delivery and water resources management, over a period of six years, with a total of $44 million in funding.
- Recognizing the complexity of the challenge of global water access, both to its business and to the communities where it operates, Coca-Cola launched a Global Water Initiative in 2004 to understand and tackle risk issues in collaboration with other partners and stakeholders. The Community-Watersheds Partnership Program was the result of a strategic alignment of Coca-Cola's social and business objectives with USAID's strong development focus in the water sector. Both organizations seek to demonstrate that community development and business objectives are in many cases naturally allied in the water sector and can together create a much greater positive impact in developing countries.

WEST AFRICA WATER INITIATIVE ALLIANCE
SAFE WATER, HEALTHIER LIVES

Twelve international institutions — including a major family foundation — partner with USAID to expand access to clean water and sanitation, reduce water-borne disease, and ensure the sustainability of water resources.

"Where there is no clean water and sanitation, millions of children die each year, and millions of people become blind unnecessarily and suffer debilitating diseases. Our board chose water and sanitation as a priority, as we felt it was where we could have maximum impact on the most lives."
—Steven Hilton, chairman, president, and CEO, Conrad N. Hilton Foundation

PURPOSE
To provide water supply, sanitation, and hygiene services and to support sustainable water resources management in rural and peri-urban Ghana, Mali, and Niger.

CONTEXT
Access to clean drinking water and sanitation is a serious problem in developing countries. Some 430 million people, almost two thirds of the population of Sub-Saharan Africa, lack access to adequate sanitation services. About 280 million lack easy access to a supply of safe water. The incidence of water-related disease such as guinea worm, trachoma, and diarrhea presents a critical health challenge for children and vulnerable populations.

ALLIANCE MEMBERS
Conrad N. Hilton Foundation

Cornell International Institute for Food, Agriculture, and Development

Desert Research Institute

Helen Keller International

International Trachoma Initiative

Lions Clubs International

United Nations Foundation

United Nations Children's Fund

U.S. Agency for International Development

WaterAid

Winrock International

World Chlorine Council

World Vision

ACCOMPLISHMENTS AND OUTCOMES
By 2008, as many as 450,000 people will benefit from:

- 825 new borehole wells and 9,000 new latrines
- 100 alternative water sources
- Training in water resources management, hygiene, and sanitation
- More efficient and productive use of water by farms

FUNDING ARRANGEMENT
Conrad N. Hilton Foundation: $19.1 million

U.S. Agency for International Development: $6 million

World Vision: $16.7 million

World Chlorine Council: $300,000

Other partners: $2.7 million (in-kind)

Ghana, Mali, and Niger are among the 10 poorest countries of the world. There are very large gaps in coverage of water and sanitation services—in some areas, more than half of the population lacks access to a safe water supply, and an even higher percentage lack access to sanitation. As a consequence, the poor and vulnerable rural and peri-urban populations suffer a high rate of preventable water-related diseases, including guinea worm, trachoma, and diarrheal disease. Food production, livelihoods, and conservation of the natural resource base also are threatened by the lack of clean water.

In 1986, the U.S. Agency for International Development (USAID) issued a $5 million grant to World Vision, a faith-based nongovernmental organization (NGO) with a long record of humanitarian assistance around the world, to launch the Ghana Rural Water Project. The success of that project attracted the attention of the Conrad N. Hilton Foundation, which was interested in providing safe water in developing countries. In 1990, the foundation contributed funds to enable World Vision to expand its activities. As a result, by the end of 2001, more than 500,000 villagers in Ghana enjoyed better access to safe water and sanitation. That same year, the Hilton Foundation assessed the Ghana Rural Water Project. Finding it a success, the foundation decided to fund further expansion of safe water services around the world, committing an initial $17.5 million (later increased to $19 million) to expand work into Niger and Mali, where World Vision already had a strong presence. But the foundation also sought an opportunity to tap into the strength, expertise, and resources of additional partners. It soon found the Global Development Alliance (GDA)

USAID and the Hilton Foundation, along with several other groups, jointly announced the West Africa Water Initiative (WAWI) alliance at the 2002 World Summit on Sustainable Development, citing it as a good example of the new public-private partnership approach being promoted by USAID and the U.S. Department of State. The alliance also advanced the water supply and sanitation component of the U.S. government's $970 million Water for the Poor Initiative.

WAWI unites 13 international organizations in partnership with local governments and communities to provide water supply and sanitation service delivery, hygiene promotion, and water resources management in rural and peri-urban Ghana, Mali, and Niger. WAWI is developing a coherent partnership model that promotes a community-driven, sustainable, integrated approach to service delivery and water resources management, over a period of six years, with a total of $44 million in funding. USAID has committed $6 million to WAWI through the agency's economic growth and global health bureaus, and through GDA.

SAFER WATER, LESS DISEASE, GREATER DEVELOPMENT

WAWI's objectives reflect the internationally recognized principle that improved water resources management and increased access to water supply and sanitation services are strongly linked to other development goals. Improving health and preventing water-borne ailments require clean water and sanitation facilities. Access to water frees families to earn income or engage in other pursuits that create possibilities for additional economic development. Because women and girls are predominantly responsible for collecting water for domestic use, improving water supply is especially beneficial to them.

The goal of the alliance is to improve the health and well being of rural and peri-urban families and communities in Ghana, Mali, and Niger by meeting four core objectives:

- Increase access to sustainable, safe water and environmental sanitation for poor and vulnerable communities in rural and peri-urban settings
- Reduce the prevalence of water-borne and sanitation-related diseases, particularly trachoma, guinea worm, and diarrheal diseases, through the promotion of personal

hygiene and environmental sanitation practices

- Ensure ecologically, financially, and socially sustainable management of water quantity and quality
- Foster a replicable partnership model and institutional synergy to ensure technical excellence, programmatic innovation, and long-term financial, social and environmental sustainability

The alliance began field implementation in 2002 in Mali, and in 2003 in Ghana and Niger. The alliance is well on its way to meeting its target of providing benefits to at least 450,000 people in the first six-year phase of the initiative. It is working closely with national governments to replicate and scale up efforts to make a significant impact on meeting the Millennium Development Goals in water supply and sanitation in all three WAWI countries. There is also interest in expanding the program by incorporating new resources and gradually extending the areas of geographic focus.

PARTNER ROLES AND ACTIVITIES

In addition to the founding roles played by the Hilton Foundation and World Vision, the current members of the alliance represent a broad spectrum of institutions, including a private foundation, a bilateral donor, international NGOs, universities, a public international organization, and a for-profit industry association. Together, partners exercise broad international reach and bring rich and diverse expertise to the program through their complementary roles.

Cornell International Institute for Food, Agriculture and Development conducts practical research and pilot activities to promote community mobilization and raise attention to gender issues and natural resource management.

Desert Research Institute assists program implementation through hydrologic analysis and modeling for well siting and water-source sustainability.

Winrock International works with other partners to develop sustainable smallholder irrigation, micro-irrigation, and associated marketing activities.

Lions Clubs International Foundation provides funding and in-country volunteers to carry out a trachoma-prevention campaign in Mali and Niger.

UNICEF provides technical assistance and training on rural school-based sanitation and hygiene education. It also drills wells, rehabilitates water points, and develops alternative water sources.

WaterAid builds the capacity of communities to manage rural sanitation and change hygiene-related behaviors. It is the principal implementer of the alliance's peri-urban program in water supply, sanitation, and hygiene service delivery.

World Chlorine Council utilizes its network of industry trade associations to donate PVC pipe and education materials to communities.

USAID supports partner grants in focus areas including integrated water resources management, income generation, gender mainstreaming, and environmental strengthening. In addition, the agency provides significant support through cross-cutting activities of interest to the alliance, including strategic planning, communications and outreach, monitoring and evaluation, hygiene behavior change, and knowledge management.

PARTNERSHIP GOVERNANCE

WAWI's governance structure has evolved considerably since the partnership was created. Presently, a headquarters-level steering committee holds semi-annual meetings to ensure continued attention by all partners to overall policy and funding issues. The Conrad N. Hilton Foundation is an active participant at this level. The USAID Water Team provides coordination and technical support to the steering committee.

At the regional level, World Vision's Ghana office hosts the WAWI secretariat, which coordinates field implementation. USAID provides a regional coordinator for WAWI activities based in Bamako, Mali, who supports and works in close coordination with the WAWI secretariat.

For each WAWI country, national steering committees for each WAWI country are hosted by World Vision and chaired by a representative of the host government. WAWI partners active in the country are represented on the steering committees, which coordinate partner efforts and carry out joint program planning at the country level.

Some 450,000 people are expected to benefit from WAWI interventions by 2008. Those interventions include:

- Drilling 825 new borehole wells
- Developing 100 alternative water sources
- Building 9,000 latrines
- Training thousands of people in water management, hygiene, and sanitation
- Teaching community associations, women's groups, and households how to maintain clean and safe water supplies in the home
- Making hundreds of farm households more efficient and productive users of water

LESSONS LEARNED

WAWI is approaching the mid-point in its first six-year phase of activity. It will conduct a formal evaluation in 2006 to measure progress and adjust course where needed. "This program is still in its infancy relative to the demanding and important results that are expected of each of the partners and in terms of stated goals and activities," reports Richard Stearns, president of World Vision. WAWI partners have just completed a five-year strategic planning process focused on scaling up current efforts and becoming even more effective in national and international water-sector reform.

WAWI is a complex alliance with many partners, wide geographic reach, and an ambitious mission. Partnership development can be a challenge under such conditions, requiring considerable time and effort to ensure that the alliance becomes greater than the sum of its parts. Sharon Murray of the USAID Water Team, who manages USAID's participation in the alliance, has witnessed first-hand WAWI's maturation through many stages of formation, reconstitution, and development.

For Murray, an effective alliance is one that maintains effective communication, navigates diverse institutional cultures, and overcomes the logistical and practical problems of coordinating multiple activities on the ground. "The intense commitment and perseverance of partners at both headquarters and field level," notes Murray, "has allowed WAWI to move closer to a practical, effective, operational model of collaboration. Refining and sharing that model with others," she concludes, "will ultimately help realize the promise of partnership that WAWI offers."

COMMUNITY-WATERSHEDS PARTNERSHIP PROGRAM
SAFEGUARDING WATER RESOURCES

The U.S. Agency for International Development and The Coca-Cola Company join forces to address water resources issues in developing countries where both operate.

PURPOSE

Match the business objectives of a major international corporation with the needs for water resources management and service delivery in countries where both partners operate. USAID and the Coca-Cola system work together to provide incentive grants to local business units and bottlers and USAID Missions to carry out water-related projects in target communities of the developing world.

CONTEXT

Sustainable freshwater is a critical underpinning of all development. By the year 2025, 2.8 billion people in 48 countries (one-third of the world's population) are expected to face severe and chronic water shortages. Worldwide, more than 1.2 billion people are at risk of illness because they lack access to clean water services. At the same time, a dependable and clean water supply is essential for economic and industrial development. Increasingly, different human activities are competing for limited water supplies that are critical to sustaining human health, ecosystem sustainability, livelihoods and economic productivity.

ALLIANCE MEMBERS AND ROLES

U.S. Agency for International Development (USAID)

The Coca-Cola Company (TCCC)

Global Environment & Technology Foundation (GETF)

ACCOMPLISHMENTS AND OUTCOMES

In Mali, the program will support community water supply and sanitation as well as small-scale agriculture activities using recycled wastewater from a local Coca-Cola bottling plant. In Bolivia, activities will improve governance and management of the watershed near a Coca-Cola facility. Two more projects will be initiated during 2006, and USAID and TCCC hope to extend the program into 2007.

FUNDING ARRANGEMENT

U.S. Agency for International Development: $1 million

The Coca-Cola Company: $1.5 million

Water is the key ingredient in The Coca-Cola Company's (TCCC) approximately 400 beverage brands and its reliable supply is fundamental to the company's business success. TCCC has recognized that issues of water supply sustainability (quality and quantity), watershed management, and wastewater treatment compliance are key environmental business risk issues for the corporation. Access to adequate, dependable, clean water is also basic for quality human life. As a responsible global corporate citizen, TCCC desires to act positively and, working through local and international partners, help to ensure access to clean drinking water and sanitation in the communities where they operate. Water stewardship, for the business, the communities and the environment, is central to TCCC's corporate social responsibility goals.

For the past decade, The Coca-Cola Company and its bottling partners have implemented efficiency measures to lower the water use ratios in its approximately 900 bottling facilities around the world. Recognizing the complexity of the challenge of global water access, both to its business and to the communities where it operates, Coca-Cola launched a Global Water Initiative in 2004 to understand and tackle risk issues in collaboration with other partners and stakeholders. The Community-Watersheds Partnership Program was the result of a strategic alignment of TCCC social and business objectives with USAID's strong development focus in the water sector.

TAKING ACTION TO REDUCE RISK

Strategic thinking and action on water within TCCC has been advanced by a dedicated Environment and Water Resources department within the company, led by Jeff Seabright, a former USAID senior officer in natural resources management. As a key building block of its strategic approach, the office undertook a comprehensive assessment of diverse physical, social, economic, and political risks facing the company through a 300-question survey sent to all its bottling facilities as well as division and global offices in over 200 countries. An overwhelming 92 percent of The Coca-Cola system bottlers responded, demonstrating a keen desire to both understand and address the water-related risks faced by the company worldwide.

Among the environmental concerns identified were issues related to availability and management of shared water resources, as well as liquid and solid waste management risks associated with local bottling facilities. Community relations and the company's social license to operate were also examined in light of past experiences in communities where water scarcity is a real issue and the responsibility of the Company towards helping to resolve these challenges extends beyond the walls of the facilities.

The risk model provided strong empirical support of the business case for addressing water issues that affect local bottlers and the surrounding communities, in their environmental, economic, political and social dimensions. Based on the analysis, customized mitigation plans are being developed by TCCC operating units and bottlers, focusing on concrete actions to improve company operations and engage with communities and development organizations to address social concerns.

In March 2005, TCCC married its local risk assessment work with top-level strategic planning to map the company's aspirations for the future. The company developed a 10-year vision statement recognizing water stewardship as a critical element of the overall Coca-Cola corporate strategy, and resolving to translate the vision into action.

MEETING MULTIPLE OBJECTIVES THROUGH PARTNERSHIP

In charting a way forward on water issues, TCCC engaged an NGO partner, the Global Environment and Technology Foundation (GETF), to assist in outreach, facilitation and implementation of the Global Water Initiative with a variety of development partners. Representatives from both TCCC and GETF approached individual USAID Missions as well

COCA-COLA'S BUSINESS CASE FOR ACTION

The Coca-Cola Company has communicated the relationship between water and its core business functions in its forward-looking statements to shareholders. In what is called a 10-K filing with the U.S. Securities and Exchange Commission (SEC) covering Coca-Cola's fiscal year 2004, the company reported that "Water is a limited resource facing unprecedented challenges from overexploitation, increasing pollution and poor management. As demand for water continues to increase around the world and as the quality of the available water deteriorates, our system may incur increasing production costs, which may materially adversely affect our Company's profitability in the long run."

"What Coke is now reporting to its shareholders," explains Dan Vermeer, Director of Coca-Cola's Global Water Partnerships within the Environment and Water Resources department, "is that water quality and water quantity are enterprise risks that are globally significant in scale. Essentially, it's a message that this is an important business challenge that Coke faces."

as the Water Team located at USAID headquarters in Washington about a broad range of partnership possibilities during 2004 and 2005.

As a result of these interactions, TCCC and GETF worked to develop a request for USAID Global Development Alliance funding to support a global program that would address specific local water resources needs, while also advancing Coca-Cola's corporate objectives in social responsibility, cleaner production, local community support, and risk management. This proposal incorporated ongoing projects under development with the USAID/Mali and USAID/Bolivia Missions. The alliance would be managed on the USAID side by the Agency's Water Team, which welcomed the opportunity to engage a major corporate partner to jointly address global water issues.

GDA and other offices within the Agency signaled a willingness to support the partnership in the amount of $1 million, matched by $1.5 million of TCCC funding. A Memorandum of Understanding outlining the objectives of the Community-Watersheds Partnership Program was signed by USAID, Coca-Cola, and GETF in August 2005. The two projects already developed in Mali and Bolivia were approved as the first activities to be supported under the global alliance. To supplement the core funding, the USAID mission in Mali has committed over $200,000 of solar pump equipment for the local initiative, while the Bolivia mission is contributing management, technical advice, and partnership facilitation support.

ALLIANCE PROfiLE

The Community-Watersheds Partnership Program supports an incentive grants program for water-related projects in countries where there is a Coca-Cola corporate presence as well as a USAID mission. USAID Missions and Coca-Cola divisions or bottling facilities are asked to jointly develop proposals for activities of mutual interest. Final project selection is based on evaluation criteria jointly developed by USAID and TCCC.

One or two additional projects will be initiated under the program during 2006 (with USAID's 2005 fiscal year funding), including at least one activity in Asia. Projects developed under the alliance can address any important water resources management or water service delivery problem facing the local communities, and must follow internationally established principles of the sector including good governance and public participation, financial and ecological sustainability, and social and gender equity. Projects must also directly support both the strategic development priorities of the local USAID Mission (as demonstrated by a matching funding requirement), as well as the corporate interests of TCCC locally.

MALI

In Mali, TCCC faces water resources opportunities and challenges, among them a desire to bring the local bottling facility BRAMALI into compliance with global corporate standards for plant wastewater treatment. TCCC committed to a local investment in plant wastewater management, coupled with support to community interventions in water supply, sanitation, and hygiene.

Under the initiative, USAID's local NGO partners are developing and rehabilitating water points and promoting sanitation and hygiene in peri-urban Bamako (near the local bottling plant), as well as rural communities in the Ségou, Mopti and Timbuktu regions. In addition, once the BRAMALI wastewater treatment plant is operational in 2006, NGO partners will explore both use of the treated wastewater for small-scale irrigation near the plant, as well as the potential application of waste biosolids as a soil conditioner, with the goal of increasing food security and generating revenues for local families. These activities build on three years of investment by USAID working with a consortium of local partners to deliver an integrated package of water resources management services and technical assistance to vulnerable communities throughout Mali. The program also provides critical added value to existing USAID programs that increase local government capability to deliver and manage basic services for their communities.

The entire package of interventions successfully meets the objectives of the multiple partners involved: For the local bottler, the leveraged investment in wastewater treatment as well as community water supply and sanitation projects has garnered support at both the national and local government levels in Mali, and mitigated local social and economic risk for the company. For TCCC corporate headquarters and divisions, one more local bottling facility will be brought into compliance with TCCC internal environmental standards, serving as a model to others in the region. For USAID and local development partners, the alliance has reinforced local water partnership arrangements, provided direct and tangible services and economic benefits to Malian citizens, and strengthened community decision-making. For the Malian Ministry of Environment, an example has been set for other industry leaders in the country to follow in the area of environmental compliance. And for the local communities, significant benefits are forthcoming both in improved environmental quality, as well as increased access to basic services for the poor.

BOLIVIA

In Bolivia, the local Coca-Cola bottler EMBOL is located in the Tarija municipal watershed which experiences chronic surface and groundwater shortages due to a number of factors including inadequate water supply service development, wasteful water use practices by a number of actors, and lack of sustainable watershed management. As a leading industrial user of water in the area, EMBOL was motivated both to improve its own internal management to reduce water use and prevent water contamination, and to become a more active participant in governing area water resources with other local stakeholders. The USAID Mission in Bolivia became interested in the partnership as a way to build on its past investments in biodiversity, upper watershed management, and cleaner production in Tarija, by engaging an important industrial actor and strengthening local participatory governance models for water resources management.

The Community Watersheds Partnership Program is supporting a local alliance of stakeholders in the water sector to promote improved watershed management in the Tarija area, including public awareness and behavior change, local industry engagement in participatory decision-making processes, community-based water resources management activities, and improved industry water and wastewater practices. These activities will be implemented by USAID's local development partner NGOs together with local governments and communities. In addition, the local

EMBOL bottling facility will be supported by TCCC division and headquarter representatives to carry out complementary activities including those related to local hydrogeological analysis, public outreach and information dissemination, as well as improved water management activities of the plant operation itself. As its contribution to the alliance, the USAID/Bolivia Mission will serve a key coordinating and facilitating role among the partners, and provide ongoing technical oversight for local NGO activity implementation.

The project is still in the final stages of design, and all the partners' roles and activities have not been fully identified. However, the project holds great promise to improve both the long-term sustainability of the water resources upon which both local industry and communities depend, while also improving EMBOL's corporate citizenship and collaborative interactions with other actors in the watershed.

THINK GLOBALLY, ACT LOCALLY

The Community-Watersheds Partnership Program is still quite new and faces many challenges in its efforts to spread a forward-looking vision throughout two highly decentralized organizational structures. TCCC is working hard to communicate the general business case for water resources management to its divisions, bottling facilities, and other operating units, while permitting a customized approach that responds to a diversity of contexts in the field. USAID is working with its Missions to ensure that they understand the local TCCC needs and priorities related to water resources management, in order to build productive synergies between the Agency's existing development priorities and private sector interests. Both organizations seek to successfully demonstrate that community development and business objectives are in many cases naturally allied in the water sector, and can together create a much greater positive impact in developing countries.

The first two projects supported by the program, as well as additional activities under development, reflect the diversity of water-related challenges that face both the business and development sectors, and highlight the numerous opportunities for intersection of the two. The great enthusiasm already demonstrated throughout the TCCC system as well as USAID Missions for this alliance is a clear demonstration that "water" is an issue around which diverse partners can find a meeting of the minds.

Once the Community-Watersheds Partnership Program activities are fully up and running, the partners will work to document overall progress in addressing both business risk and development objectives against jointly developed indicators. Demonstrated impacts of the alliance will serve to advance both TCCC's and USAID's overall visions in the water sector. Eventually, TCCC and USAID envision that the Community-Watersheds Partnerships model will be fully internalized within each of their organizational structures, fostering the formation of many additional locally-developed alliances in the water sector that go well beyond the boundaries of the existing global program, and embrace other actors beyond the two founding partners.